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DOL Finalizes Rule to Increase Salary Threshold for Overtime Eligibility

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On April 23, 2024 the Department of Labor (DOL) announced a final rule that will increase the current salary threshold required to be exempt from overtime, effective July 1, 2024.

This final rule will be carried out in multiple increments. First, beginning July 1, 2024, the threshold will increase from $35,568 to $43,888 per year. Then, on January 1, 2025 it will increase to $58,656. Starting July 1, 2027, the salary thresholds will continue to update every three years by applying up-to-date wage data to determine new salary levels.

Additionally, on July 1, the final rule will increase the minimum salary threshold for "highly compensated employees" from the current threshold of $107,432 to $132,964. This threshold will then increase to $151,164 on January 1, 2025. It is important to note that Pennsylvania law does not recognize the highly compensated employee exemption.

The final rule will have a major impact on how employers address overtime. According to the DOL, the first increase in July 2024 would expand overtime eligibility to an addition 1 million workers, and the January 2025 increase would cover an additional 3 million.

This final rule comes after the DOL issued a proposed rule in 2023 and received over 33,000 comments. The proposed rule presented a threshold increase to $55,068, which is slightly lower than the 2025 threshold.

Previously in 2016, the Obama administration attempted to set the salary threshold at the 40th percentile of weekly earnings for full time salaried workers, but that increase was struck down. The July 2024 increase is based on the methodology used by the Trump administration which set the current threshold at the 20th percentile, and this final rule will set it at the 35th following the January 2025 increase.

Importantly, the final rule does not modify the "duties" test.

The DOL's news release regarding the final rule can be found here: Biden-Harris administration finalizes rule to increase compensation thresholds for overtime eligibility, expanding protections for millions of workers | U.S. Department of Labor (dol.gov).

The final rule can be found here: https://www.dol.gov/sites/dolgov/files/WHD/flsa/ot-541-final-rule.pdf.

If you have any questions about this rule or any other labor & employment issue, please contact your Knox Law attorney, our Labor & Employment group, or call us at 814-459-2800.



Rimaz Mustfa is a former Summer Associate with Knox Law. She will be joining the firm later this year.

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